

AR59

Winspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

The word "SAVANNA" is written in a bold, black, sans-serif font. It is centered within a bright yellow, irregular, cloud-like shape that serves as a background for the text.

**SAVANNA**

**1994  
ANNUAL REPORT**

## **CORPORATE PROFILE**

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Savanna Resources Ltd. is an Alberta incorporated, Canadian mineral exploration company based in Calgary. Savanna's programs are focused exclusively on exploration for high valued mineral deposits. The Company is at the feasibility stage with its Turner-Albright gold, copper, zinc and cobalt deposit located in Southwest Oregon, and in the second year of exploring lead-zinc deposits in the Foxe Basin on Baffin Island, NWT.

The Company's shares are traded on the Alberta Stock Exchange under the symbol SV.

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## **HIGHLIGHTS**

- ♦ Gross metal value/ton of the Turner-Albright deposit reaches \$142.16 US.
- ♦ Affiliated Rhonda Mining Corporation announces discovery of widespread strataform and high grade bornite/chalcocite copper showings confirming the presence of a new Proterozoic copper belt, with exploration potential comparable to the Zambian copper belt.
- ♦ Rhonda Mining Corporation also recovers significant macro and micro diamonds from diamondiferous kimberlite volcanic systems in the Fort à la Corne area.

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## **GLOSSARY**

|             |                                                               |
|-------------|---------------------------------------------------------------|
| Ag          | Silver                                                        |
| Au          | Gold                                                          |
| Bornite     | Copper mineral (63% copper)                                   |
| Chalcocite  | Copper mineral (79% copper)                                   |
| Co          | Cobalt                                                        |
| Cu          | Copper                                                        |
| Gossan      | Rusty, oxidized zone derived from the weathering of sulphides |
| Kimberlite  | A rock formation commonly found to host diamonds              |
| Stratabound | Confined to one layer                                         |
| Zn          | Zinc                                                          |

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## **NOTICE OF ANNUAL GENERAL MEETING**

The annual general meeting of shareholders of Savanna Resources Ltd. will be held on Tuesday, December 20, 1994, at 4:00 p.m. in the Aquitaine Auditorium, Second floor, 540 - Fifth Avenue SW, Calgary, Alberta.



## PRESIDENT'S REPORT TO THE SHAREHOLDERS

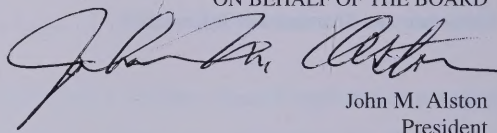
During the year ended June 30, 1994, Savanna continued its mineral exploration program on the Foxe Basin lead-zinc project in Baffin Island, and continued to study the feasibility of placing the Turner-Albright gold, copper, zinc and cobalt project in Oregon on production. The Company maintained its 42% investment in Rhonda Mining Corporation, which is active in the Epworth copper project in Northwest Territories and the Fort à la Corne diamond project in Saskatchewan.

On Baffin Island in the Northwest Territories, the company has mounted programs of field exploration during the summers of 1993 and 1994, following up satellite imagery studies that indicated areas of potential mineralization. Widespread lead-zinc mineralization was located.

The Turner-Albright study is expected to be completed in early 1995, at which time alternative means of financing the project will be reviewed.

Calgary, Alberta  
October 28, 1994

ON BEHALF OF THE BOARD

  
John M. Alston  
President

## PROJECT REVIEW

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### TURNER-ALBRIGHT PROJECT, OREGON

The Turner-Albright gold, copper, zinc and cobalt deposit located in southwestern Oregon is owned by Baretta Mining Inc., in which Rhonda Mining Corporation holds a 25% interest. Besides having a drill-indicated gross ore value of some \$513 million, this polymetallic deposit is one of the few properties in North America with drill-indicated reserves of cobalt.

Utilizing the results of diamond and rotary drilling conducted by previous operators during the period of 1978-1991, Savanna's consultants have estimated drill-indicated reserves of the Turner-Albright ore body at about 4,000,000 tons containing 400,000 oz Au, 1,600,000 oz Ag, 100,000,000 lbs Cu, 4,400,000 lbs Co and 240,000,000 lbs Zn. This reserve occurs within a sulphide mass totalling some 15,000,000 tons. Utilizing a conservative cut-off grade of \$100 US per ton and prices as shown, gross metal values are as follows:

| Metal                    | Grade        | Price       | Value/ton US    | Gross Metal Value<br>(000's) US\$ |
|--------------------------|--------------|-------------|-----------------|-----------------------------------|
| Gold                     | 0.114 oz/ton | \$380.00/oz | \$ 43.32        | \$150,000                         |
| Silver                   | 0.443 oz/ton | 5.30/oz     | 2.35            | 8,480                             |
| Copper                   | 1.462 %      | 1.23/lb     | 35.97           | 123,000                           |
| Zinc                     | 3.325 %      | 0.48/lb     | 31.92           | 115,200                           |
| Cobalt                   | 0.055 %      | 26.00/lb    | 28.60           | 114,400                           |
| Total gross metal value: |              |             | <u>\$142.16</u> | <u>\$513.080</u>                  |

The total gross metal value/ton (\$142.16 US) of the Turner-Albright deposit compares favorably with that (\$118.37 US) of Cominco's recent base metal discovery in southeastern Yukon which is on a fast track development schedule (Globe & Mail, November 9, 1994, issue). A generalized plan and section of the property is presented in Figure 1.

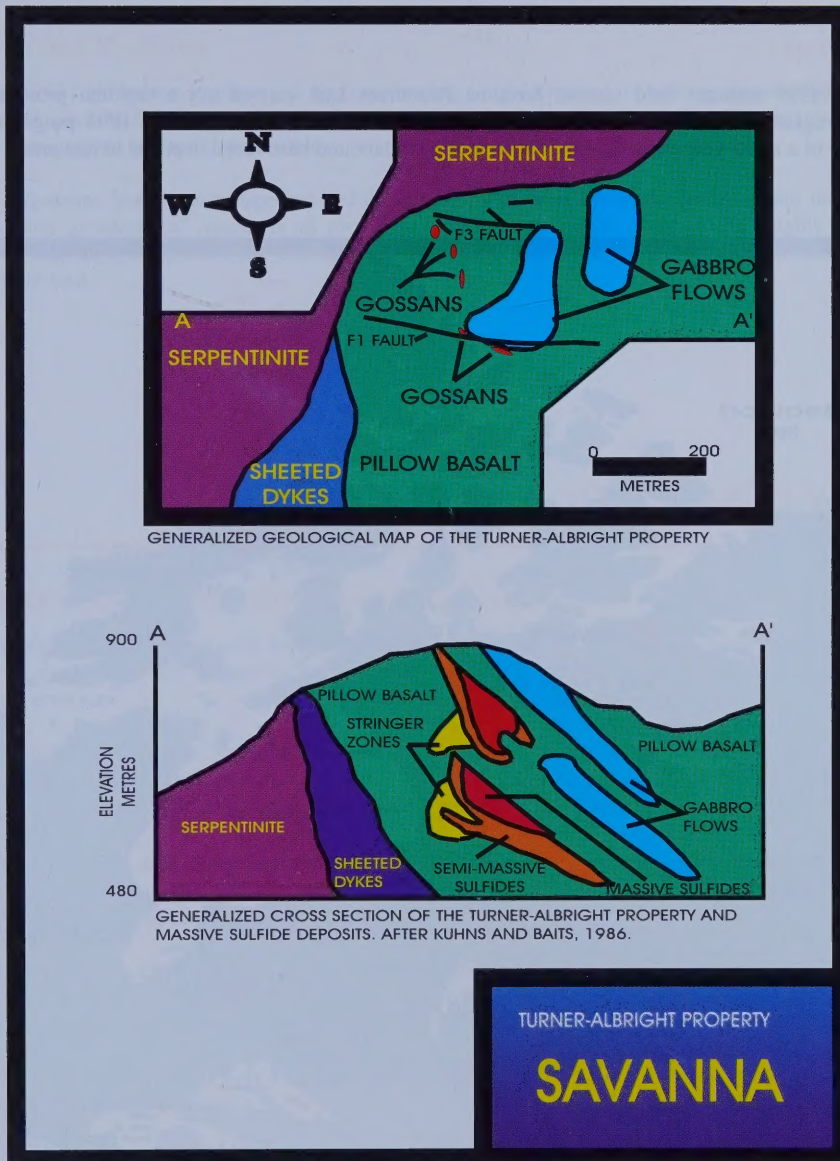


Figure 1  
Turner-Albright Property

The potential for adding to the reserves is high as the ore zones and the steeply inclined controlling structures are open at depth. The most recent work, consisting of 6400 feet of diamond drilling, extended the main zone 400 feet down-dip to the east and added 387,000 tons grading 0.175 oz/ton Au, 1.09% Cu and 2.32% Zn.

The Turner-Albright deposit represents a significant mineral reserve, and preliminary work indicates that it will support a 400 ton/day mine-mill operation at present metal prices. Such an operation will have minimal environmental impact. R.L. Russell Associates, in a preliminary feasibility study of the project at a time when metal prices were much lower, concluded that, given reasonable metallurgical recoveries, mining should be profitable. This engineering study of the Turner-Albright deposit is being updated and is expected to show that the project's economics have been greatly enhanced by the improved outlook for gold and base metal prices over the next decade.



## PROJECT REVIEW

### FOX E PROJECT

During the 1994 summer field season, Savanna Resources Ltd. carried out a regional prospecting and sampling program in the Foxe Fold Belt of central Baffin Island (Figure 2). The 1994 program was the second year of a multi-year exploration effort to locate stratabound base metal deposits in this area.



Figure 2  
Project Location Map

### FOXÉ PROJECT - Cont'd

During the 1993 field season stratigraphic horizons having a high potential for hosting stratabound base metal deposits were identified. The objective of the 1994 program was to locate and sample as many gossans on favorable stratigraphic horizons, as possible.

To date, 73 gossans have been prospected and 66 gossans have been sampled. Analysis and integration of geological and geochemical results is in progress. Preliminary results indicate that highly anomalous amounts of base metals and silver are concentrated along favorable stratigraphic horizons in certain parts of the Foxé Fold Belt.

## INVESTMENT REVIEW

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### INVESTMENT IN RHONDA MINING CORPORATION

The company holds a 42% interest in Rhonda Mining Corporation. Rhonda is participating in a major program of exploration for copper in the Epworth area, 100 kilometres south of Coppermine, in the Northwest Territories.

Rhonda's joint venture with Noranda Exploration Company, Limited, has confirmed the presence of widespread, stratabound, copper mineralization. Claims were staked protecting the discoveries and an airborne geophysical survey was flown in preparation for the 1994 field season.

In the Fort à la Corne area of Saskatchewan, Rhonda's focus was on sampling the apron and kimberlite-derived sediments surrounding the fully preserved volcanic systems that yielded macro and micro diamonds, confirming the potential of these large tonnage deposits.

Subsequent to June 30, 1994, Rhonda, jointly with its major partner in the project, entered into an agreement with Kensington Resources Ltd., granting them the right to earn up to a 50% interest in the project and claims by issuing 1,000,000 shares to the owners and expending \$3 million on the program.

For details of the Epworth and Fort à la Corne programs, shareholders are referred to the Rhonda Annual Report which is available on request.



# AUDITORS' REPORT TO THE SHAREHOLDERS

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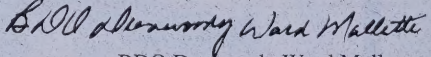
## TO THE SHAREHOLDERS OF SAVANNA RESOURCES LTD.

We have audited the consolidated balance sheets of Savanna Resources Ltd. as at 30 June, 1994 and 1993, and the consolidated statements of loss and deficit and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 30 June, 1994 and 1993, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta  
28 October, 1994

  
BDO Dunwoody Ward Mallette  
Chartered Accountants



**CONSOLIDATED STATEMENTS  
OF LOSS AND DEFICIT  
FOR THE YEARS ENDED 30 JUNE**

|                                                                                      | 1994            | 1993            |
|--------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>REVENUE</b>                                                                       |                 |                 |
| Oil and gas royalties                                                                | \$ 17,036       | \$ 13,201       |
| Rental                                                                               | 3,808           | 8,548           |
| Staking revenue                                                                      | --              | 375,493         |
| Interest income                                                                      | 6,988           | 121,692         |
|                                                                                      | 27,832          | 518,934         |
| <b>EXPENSES</b>                                                                      |                 |                 |
| Administrative                                                                       | 500,376         | 1,094,282       |
| Amortization and depletion                                                           | 9,584           | 4,280           |
| Interest expense                                                                     | --              | 96,594          |
| Writedown of mineral properties                                                      | --              | 1,312,986       |
| Foreign exchange loss                                                                | 5,720           | 71,051          |
|                                                                                      | 515,680         | 2,579,193       |
| <b>OPERATING LOSS</b>                                                                | (487,848)       | (2,060,259)     |
| <b>OTHER</b>                                                                         |                 |                 |
| Gain on disposal of capital assets                                                   | 36,826          | --              |
| Gain (loss) on investment, note 13                                                   | 1,284,361       | (3,664,759)     |
| Non-controlling interest in losses of subsidiary companies                           | 155,130         | 477,138         |
| Share of loss in an affiliated company,<br>accounted for on the equity basis, note 5 | (1,353,728)     | --              |
| <b>NET LOSS FOR THE YEAR</b>                                                         | (365,259)       | (5,247,880)     |
| <b>DEFICIT, Beginning of Year</b>                                                    | (19,836,120)    | (14,588,240)    |
| <b>DEFICIT, END OF YEAR</b>                                                          | \$ (20,201,379) | \$ (19,836,120) |
| <b>LOSS PER SHARE</b>                                                                | \$ (0.007)      | \$ (0.14)       |



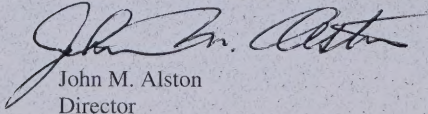
# CONSOLIDATED BALANCE SHEET

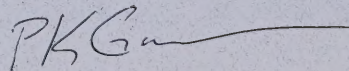
## AS AT 30 JUNE

|                                                            | 1994          | 1993          |
|------------------------------------------------------------|---------------|---------------|
| <b>ASSETS</b>                                              |               |               |
| <b>CURRENT</b>                                             |               |               |
| Cash                                                       | \$ 14,787     | \$ 1,381,299  |
| Accounts and advances receivable                           | 395,892       | 292,136       |
| Notes receivable, note 4                                   | 55,298        | 629,930       |
| Marketable securities (market value - \$231,400)           | --            | 100,987       |
|                                                            | 465,977       | 2,404,352     |
| INVESTMENT IN RHONDA MINING CORPORATION,<br>note 5         | 3,187,825     | --            |
| CAPITAL ASSETS, note 6                                     | 100,490       | 119,822       |
| MINERAL PROPERTIES AND DEFERRED COSTS,<br>note 7, schedule | 10,272,486    | 13,221,582    |
|                                                            | \$ 14,026,778 | \$ 15,745,756 |
| <b>LIABILITIES</b>                                         |               |               |
| <b>CURRENT</b>                                             |               |               |
| Accounts payable and accrued liabilities, note 8           | \$ 490,547    | \$ 2,367,182  |
| Notes Payable and accrued interest, note 9                 | --            | 223,283       |
|                                                            | 490,547       | 2,590,465     |
| DUE TO AN AFFILIATED COMPANY, note 10                      | 1,958,978     | --            |
| NON-CONTROLLING INTEREST, note 11                          | 1,870,495     | 3,690,520     |
|                                                            | 4,320,020     | 6,280,985     |
| <b>SHAREHOLDERS' EQUITY</b>                                |               |               |
| SHARE CAPITAL, note 12                                     | 29,908,137    | 29,300,891    |
| DEFICIT                                                    | (20,201,379)  | (19,836,120)  |
|                                                            | 9,706,758     | 9,464,771     |
|                                                            | \$ 14,026,778 | \$ 15,745,756 |

NATURE OF OPERATIONS, note 1  
 SIGNIFICANT ACCOUNTING POLICIES, note 2  
 ACQUISITIONS, note 3  
 INCOME TAXES, note 14  
 RELATED PARTY TRANSACTIONS, note 15  
 REMUNERATION OF DIRECTORS AND OFFICERS, note 16  
 SEGMENTED INFORMATION, note 17  
 SUBSEQUENT EVENTS, note 18  
 AFFILIATED COMPANIES FINANCIAL POSITION  
 AND RESULTS OF OPERATIONS, note 19

APPROVED ON BEHALF OF THE BOARD:

  
 John M. Alston  
 Director

  
 Peter K. Gummer  
 Director



# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED 30 JUNE

1994 1993

## CASH PROVIDED (USED) BY

### OPERATING ACTIVITIES

#### Operations

Net loss for the year \$ (365,259) \$ (5,247,880)

#### Items not involving cash:

Writedown of mineral properties -- 1,312,986

Amortization 9,584 4,280

Non-controlling interests' share of losses (155,130) (477,138)

Gain on investment in affiliated company, accounted for on the equity basis (1,404,300) --

Loss on investment in subsidiaries 119,939 3,664,759

Share of loss in an affiliated company, accounted for on the equity basis 1,353,728 --

Gain on disposal of capital assets (36,826) --

(478,264) (742,993)

Changes in non-cash working capital balances (1,185,240) 1,255,746

**CASH (USED) PROVIDED BY OPERATING ACTIVITIES** (1,663,504) 512,753

### FINANCING ACTIVITIES

Issue of share capital, net 607,246 1,446,250

Issue of share capital, subsidiaries -- 3,330,899

Notes payable and accrued interest (223,283) 2,933,233

Due to affiliated company 483,794 --

**CASH PROVIDED BY FINANCING ACTIVITIES** 867,757 7,710,382

### INVESTING ACTIVITIES

Notes receivable (25,368) 1,040,807

Acquisition of shares of affiliated company (4,925,621) (6,397,321)

Proceeds on disposal of investments 2,049,379 1,207,018

Proceeds on disposal of capital assets 77,423 --

Proceeds on disposal of mineral property 982 --

Proceeds on disposal of interest in affiliated company 2,915,193 --

Acquisition of capital assets (35,184) (38,997)

Acquisition of mineral properties and expenditures on mineral properties (627,569) (2,652,904)

**CASH USED BY INVESTING ACTIVITIES** (570,765) (6,841,397)

**INCREASE (DECREASE) IN CASH** (1,366,512) 1,381,738

CASH, (Bank Overdraft) Beginning of Year 1,381,299 (439)

**CASH, END OF YEAR** \$ 14,787 \$ 1,381,299

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE, 1994

### 1. NATURE OF OPERATIONS

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

#### (a) Going Concern

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these financial statements, the Company is in a deficit position from accumulated operating losses and was experiencing a negative cash flow from ongoing operations and, therefore, its ability to meet future commitments on mining properties is not assured.

Continuation of the Company as a going concern is dependent upon obtaining additional capital. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

#### (b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries as follows:

|                                 | 1994  | Ownership | 1993  |
|---------------------------------|-------|-----------|-------|
| Baretta Mining Inc.             | 72.7% |           | 97.7% |
| Island Copper Company           | 100%  |           | 100%  |
| Mable Lake Ventures Ltd.        | 100%  |           | --    |
| Rhonda Mining Corporation       | --    |           | 48.5% |
| The Americas Mining Corporation | 80%   |           | 80.5% |
| Turner-Albright Holdings Inc.   | 100%  |           | 100%  |

In 1993, the Company consolidated the accounts of Rhonda Mining Corporation as it continued to have the ability to appoint the majority of the board of directors. In 1994, the investment has been accounted for by the equity method as control was deemed to no longer exist. Accordingly, the percentage of investment in Baretta has been reduced by Rhonda's 25% ownership in Baretta.

#### (c) Investments

When the Company has significant influence over its investments, they are accounted for by the equity method. The investment is initially recorded at cost and adjusted for the Company's share of profits or losses from the investment date.

#### (d) Marketable Securities

Marketable Securities are valued at the lower of cost and market.



**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd****(e) Capital Assets**

Capital assets are recorded at cost. Amortization is computed on a straight-line method, based on the estimated useful lives of individual assets ranging from 3-10 years.

**(f) Mineral Properties and Deferred Costs**

Costs of acquisition and development of mineral properties are capitalized on an area of interest basis. Amortization of these costs will be on a unit of production basis, based on estimated proven reserves of minerals of the areas should such reserves be found. If an area of interest is abandoned or management has indicated that further development appears unlikely, the costs thereto will be charged to income in the year of abandonment.

**(g) Foreign Currency**

Foreign currency accounts are translated to Canadian dollars as follows:

Revenues and expenses at the average rates of exchange during the year, non-monetary assets and liabilities at the rates in effect at dates of the transaction, and monetary assets and liabilities at rates in effect at the end of the year. Resulting foreign exchange gains and losses are included in income in the current period, except for unrealized foreign currency gains and losses on long term monetary assets, which are reported as a deferred charge and amortized over the remaining life of the related items on a straight line basis.

**(h) Flow-through Shares**

When the Company issues flow-through shares, they record 100% of the mining exploration costs in their records. The shares issued are recorded at their purchase price. When the funds received are spent, the tax benefits arising from the transaction are transferred to the holders of the flow-through shares.

**3. ACQUISITIONS**

During the year ended 30 June, 1994, the Company made the following acquisition:

Mable Lake Ventures Ltd. -

During the year, the Company acquired 100% of the issued and outstanding shares of Mable Lake Ventures Ltd.;

Consideration:

|      |            |
|------|------------|
| Cash | \$ 123,750 |
|------|------------|

The acquisition has been accounted for by the purchase method, as follows:

|                |        |
|----------------|--------|
| Current Assets | \$ 333 |
|----------------|--------|

|                                         |         |
|-----------------------------------------|---------|
| Investment in Rhonda Mining Corporation | 150,000 |
|-----------------------------------------|---------|

|  |         |
|--|---------|
|  | 150,333 |
|--|---------|

|                     |          |
|---------------------|----------|
| Current Liabilities | (11,500) |
|---------------------|----------|

|  |            |
|--|------------|
|  | \$ 138,833 |
|--|------------|

|                            |          |
|----------------------------|----------|
| Purchase price discrepancy | (15,083) |
|----------------------------|----------|

Excess of book value of net assets

acquired over cost of acquisition

|                             |             |
|-----------------------------|-------------|
| in Mable Lake Ventures Ltd. | \$ (15,083) |
|-----------------------------|-------------|

The excess has been accounted for as a reduction in the investment, as it best reflects the most appropriate value of the assets acquired.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE, 1994

### 3. ACQUISITIONS - Cont'd

During the year ended 30 June, 1993, the Company made the following acquisition:

The Americas Mining Corporation -

At various times during the year, the Company acquired an additional 2.8% of the issued and outstanding shares of The Americas Mining Corporation;

Consideration:

Cash \$ 150,720

The acquisition has been accounted for by the purchase method, as follows:

Current Assets \$ 107

Mineral Properties 999,146

999,253

Current Liabilities (288,539)

\$ 710,714

Additional 2.8% of net assets 19,900

Excess of cost of acquisition over book value of net assets acquired in

The Americas Mining Corporation \$ 130,820

The excess has been charged to income for the period as the underlying book value of the assets reflects the most appropriate value of the assets acquired.

### 4. NOTES RECEIVABLE

|                                                                                                                           | 1994      | 1993       |
|---------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| Note receivable, repayable \$560 per month, principle and interest secured by land and building, interest at 9% per annum | \$ 55,298 | \$ --      |
| Note receivable, secured by 3,000,000 shares in Savanna Resources Ltd., due on demand, interest at prime plus 2%          | --        | 600,000    |
| Note receivable, unsecured due on demand, non-interest bearing, note 4 (a)                                                | --        | 29,930     |
|                                                                                                                           | \$ 55,298 | \$ 629,930 |

(a) The amount was due from a corporation managed by a relative of certain directors of the company.

### 5. INVESTMENT IN RHONDA MINING CORPORATION

During the year ended 30 June, 1994, the Company's percentage ownership of Rhonda was further reduced by share issuances from treasury by Rhonda to outsiders. As a result, effective July 1, 1993, the Company commenced accounting for its investment on the equity basis. The investment in Rhonda reflects the carrying value on the books of the Company's 42% interest in Rhonda. Included in the Company's income is \$2,294,528 loss related to the Company's 42% interest, which is reduced by the Company's share of intercompany transactions, totalling \$940,800. Details of Rhonda's financial position and results of operations are included in note 19.



**6. CAPITAL ASSETS**

|                                    | 1994      |                          | 1993      |                          |
|------------------------------------|-----------|--------------------------|-----------|--------------------------|
|                                    | Cost      | Accumulated Amortization | Cost      | Accumulated Amortization |
| Land                               | \$ 40,597 | \$ --                    | \$ 81,193 | \$ --                    |
| Buildings                          | --        | --                       | 69,685    | 69,685                   |
| Equipment and furniture            | 96,287    | 36,394                   | 106,569   | 67,940                   |
|                                    | 136,884   | 36,394                   | 257,447   | 137,625                  |
| Cost less accumulated amortization | \$100,490 |                          | \$119,822 |                          |

**7. MINERAL PROPERTIES AND DEFERRED COSTS**

## (a) Turner-Albright Property

The Company holds a 100% ownership interest in the fee lands containing the sulphide deposit and a 100% ownership interest in the claims surrounding the fee lands in the Turner-Albright property located in Josephine County, Oregon, USA.

## (b) Island Mountain Property

The Company owns a 100% undivided interest in the Island Mountain property located in Trinity County, California, USA. Upon the property being put into production, the Company is required to remit to the vendors 5,600 common shares of Rhonda Mining Corporation.

## (c) Foxe Basin

During the year ended June 30, 1993, the Company entered into a joint venture agreement in which it could earn a 50% interest in claims staked within a defined area of interest by contributing \$1,000,000 in exploration expenditures by February 1, 1998. To maintain its option, the Company had to contribute \$200,000 by February 1, 1994, and for each of the following four years. As of February 1, 1994, the Company contributed \$395,708.

## (d) Takijuk Range

During the year ended 30 June, 1993, the Company entered into a joint venture agreement in which it could earn a 50% interest in claims staked within a defined area of interest by contributing \$1,500,000 in exploration expenditures by June 11, 1995. To maintain its option, the Company's cumulative contribution had to reach:

\$265,000 by September 31, 1993;  
\$865,000 by June 11, 1994;  
and \$1,500,000 by June 11, 1995.

During the year ended 30 June, 1994, a new agreement was entered into. Under this agreement, Rhonda Mining Corporation will incur all exploration costs in the Griffin property within the Takijuk Range (note 7-g).

## (e) Tobin, Trek

The Company is the registered owner of certain mineral claims in which it will hold working interests varying from 10%-100%.

## (f) Permit No. 116

The Company has entered into a joint venture agreement in which it may earn up to an 85% working interest in Permit 116 upon completing \$1,000,000 in exploration work over the next 5 years. The Company has conveyed their interest to a third party, retaining the ability to back in up to a 42.5% interest by paying for 50% of the exploration costs to the date of the back in.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE, 1994

## 7. MINERAL PROPERTIES AND DEFERRED COSTS - Cont'd

### (g) Griffin Property

The Company has entered into an agreement in which Rhonda Mining Corporation holds in trust for the Company 20% of Rhonda's earned interest in the property carried to production.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at 30 June, 1994, is \$190,042 (1993-\$ 710,262) due to the Company's broker.

## 9. NOTES PAYABLE AND ACCRUED INTEREST

Note payable and accrued interest consist of:

|                                                  | <u>1994</u> | <u>1993</u> |
|--------------------------------------------------|-------------|-------------|
| Note payable, note 9(a)                          | \$ --       | \$ 41,200   |
| Note payable to Mahoney Holdings Ltd., note 9(b) | --          | 182,083     |
|                                                  | \$ --       | \$ 223,283  |

(a) The note payable, bearing interest at 12% per annum, was due on demand and was fully secured by all assets of the Company. Any part of the note was convertible to common shares in Savanna at \$0.25 per share. In 1994, the note was converted into 160,000 common shares of the Company.

(b) The note payable was due on demand and was secured by all of the outstanding shares of Baretta Mining Inc. Interest was payable at 15% per annum. The amount was repaid during the year.

## 10. DUE TO AN AFFILIATED COMPANY

The amount is due to Rhonda Mining Corporation and consists of \$1,846,160 due from the Company and \$112,818 due from the Company's subsidiary, Baretta Mining Inc. The amount is non-interest bearing and due on demand.

## 11. NON-CONTROLLING INTEREST

|                                                                                          | <u>1994</u>  | <u>1993</u>  |
|------------------------------------------------------------------------------------------|--------------|--------------|
| Balance, beginning of year                                                               | \$ 3,690,520 | \$ 2,204,717 |
| Increase due to fluctuation in shareholdings in subsidiaries                             | 1,668,971    | 39,471       |
| Increase due to subsidiary companies issuing shares to non-controlling shareholders, net | 122,093      | 1,923,470    |
| Decrease due to change to equity method of accounting                                    | (3,455,959)  | --           |
| Non-controlling interest's share of net losses for the year                              | (155,130)    | (477,138)    |
|                                                                                          | (1,820,025)  | 1,485,803    |
| Balance, end of year                                                                     | \$ 1,870,495 | \$ 3,690,520 |



**12. SHARE CAPITAL**

## (a) Authorized:

Unlimited number of common shares, first preferred shares and second preferred shares.

## (b) Issued:

Common shares

|                                                                        | Number of Shares | Amount        |
|------------------------------------------------------------------------|------------------|---------------|
| Issued and outstanding as at 30 June, 1992                             | 34,797,601       | \$ 24,482,141 |
| Issued pursuant to employee stock options for cash                     | 450,000          | 112,500       |
| Issued flow-through shares pursuant to employee stock options for cash | 635,000          | 158,750       |
| Issued on exercise of warrants for extinguishment of debt              | 2,500,000        | 712,500       |
| Issued through private placement for cash                              | 3,500,000        | 1,175,000     |
| Issued through private placement for extinguishment of debt            | 6,000,000        | 2,400,000     |
| Issued on conversion of debentures                                     | 1,040,000        | 260,000       |
| Adjustment on fractional shares                                        | 970              | --            |
| Issued and outstanding as at 30 June, 1993                             | 48,923,571       | 29,300,891    |
| Flow through shares issued pursuant to employee stock options for cash | 325,000          | 81,250        |
| Issued through private placement for extinguishment of debt            | 12,700,000       | 4,486,000     |
| Issued on conversion of debentures                                     | 160,000          | 40,000        |
| Redemption of shares                                                   | (17)             | (4)           |
|                                                                        | 62,108,554       | 33,908,137    |
| Less shares held by affiliated company                                 | (10,000,000)     | (4,000,000)   |
| Issued and outstanding as at 30 June, 1994                             | 52,108,554       | \$ 29,908,137 |

## (c) Employee Incentive Stock Option Plan

In March of 1992, a new Employee Stock Option Plan was adopted and the existing plan was cancelled. The total number of shares optioned according to the plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting. The option price per share shall be determined by the Board of Directors at the time that the option is granted in compliance with Circular No. as amended, of the Alberta Stock Exchange.

## (d) Warrants and Options

As at 30 June, 1994, the following warrants and options were outstanding:

(i) pursuant to the Employee Stock Option Plan, there remains outstanding options to purchase 1,890,000 shares @ \$0.25/share expiring March, 1997, to July, 1999.

(ii) pursuant to the issue of common shares, there remains outstanding non-transferable warrants to purchase 1,500,000 common shares @ \$0.35/share expiring September, 1995; 8,000,000 common shares @ \$0.40/share expiring June, 1996; and 10,000,000 common shares @ \$0.50/share expiring February, 1996.

**13. GAIN (LOSS) ON INVESTMENTS**

During the year ended 30 June, 1994, the Company traded in publicly traded shares of Rhonda Mining Corporation. The net effect of these transactions and the issuance of shares by Rhonda during the year resulted in the Company's interest in Rhonda Mining Corporation being reduced by 6.5% (1993-4.93%). Included in gain(loss) on investment, is a gain of \$1,404,300 (1993-loss of \$3,615,914) relating to the above transactions. In addition, the Company increased or decreased its interest in certain subsidiaries resulting in a loss of \$119,939 (1993-gain of \$81,975).

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE, 1994

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#### 14. INCOME TAXES

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions in deductibility. The Company has total expenditures of approximately \$849,000 (1993-\$5,656,513) available at 30 June, 1994, to be carried forward to reduce future taxable income

The Company and the Canadian subsidiaries have total net capital losses of approximately \$1,761,000 and total non-capital losses of \$2,272,000 (1993-\$2,500,000) which may be carried forward to reduce future taxable income in the Canadian companies.

The US subsidiaries have total losses of approximately \$5,561,000 US (1993-\$5,586,000 US) which may be carried forward to reduce future federal taxable income in the US companies.

#### 15. RELATED PARTY TRANSACTIONS

During the year ended 30 June, 1994, the Company accomplished the following:

- (a) received \$741,386 from Rhonda Mining Corporation in respect to overhead charges;
- (b) issued the following shares through private placement:
  - (i) 10,000,000 shares @ \$0.40/share to Rhonda Mining Corporation, with an additional warrant to purchase another 10,000,000 common shares @ \$0.50/share on or before February 11, 1996; and
  - (ii) 2,700,000 shares @ \$0.18/share to a corporation managed by certain directors of the Company.
- (c) purchased 500,000 common shares of Rhonda Mining Corporation for \$1,800,000. In addition, the Company received a warrant to purchase an additional 500,000 common shares @ \$5.00. These warrants, along with 50,000 additional warrants, were exercised in exchange for inter-company debt.

During the year ended 30 June, 1993, the Company:

- (a) purchased 115,000 shares of Rhonda Mining Corporation for \$518,750 from a corporation managed by a relative of certain directors of the Company;
- (b) charged \$69,849 interest on a note receivable from a corporation managed by a director of the Company;
- (c) cancelled its commitment to sell 200,000 shares of Rhonda Mining Corporation, to a corporation managed by certain directors of the Company, for a cost of \$1,215,000;
- (d) issued the following shares on exercise of warrants:
  - (i) 750,000 shares @ \$0.30/share to a corporation managed by a relative of certain directors of the Company;
  - (ii) 750,000 shares @ \$0.25/share to a corporation managed by certain directors of the Company.
- (e) issued the following shares through private placement:
  - (i) 2,000,000 shares @ \$0.40/share to a corporation managed by certain directors of the Company;
  - (ii) 200,000 shares @ \$0.40/share to a corporation managed by certain directors of the Company.
- (f) issued 480,000 shares @ \$0.25/share for payment of note payable (note 10-c) to a corporation managed by a relative of certain directors of the Company.



**16. REMUNERATION OF OFFICERS AND DIRECTORS**

During the year ended 30 June, 1994, the Officers and Directors of the Corporation received the following salaries and remuneration from the exercise of stock options in the Company and its affiliates:

|                 |                      | Salary     | Stock Options | Total Remuneration |
|-----------------|----------------------|------------|---------------|--------------------|
| John M. Alston  | Officer and Director | \$ 144,000 | --            | 144,000            |
| Glen R. Alston  | Officer and Director | \$ 36,000  | --            | 36,000             |
| Peter K. Gummer | Officer and Director | \$ 120,000 | 3,750         | 123,750            |

The Company has been reimbursed for \$225,000 of these salaries by Rhonda Mining Corporation.

As at October 28, 1994, the Officers and Directors held the following stock options:

|                    | Number of Shares | Exercise Price |
|--------------------|------------------|----------------|
| John M. Alston     | 750,000          | \$0.25         |
| Glen R. Alston     | 300,000          | \$0.25         |
| Peter K. Gummer    | 250,000          | \$0.25         |
| Bruce Murray       | 50,000           | \$0.25         |
| Thomas Whittingham | 50,000           | \$0.25         |

**17. SEGMENTED INFORMATION**

Financial information segmented according to geographical area is:

| 1994                       | Canada       | United States | Consolidation Adjustments | Consolidated |
|----------------------------|--------------|---------------|---------------------------|--------------|
| Income (loss) for the year | \$ (166,152) | \$ (383,673)  | \$ 184,566                | \$ (365,259) |
| Identifiable Assets        | 14,085,989   | 7,684,224     | (7,743,435)               | 14,026,778   |
| Corporate Assets           |              |               |                           | --           |
|                            |              |               |                           | 14,026,778   |

| 1993                       | Canada       | United States | Consolidation Adjustments | Consolidated   |
|----------------------------|--------------|---------------|---------------------------|----------------|
| Income (loss) for the year | \$ (844,775) | \$ (879,841)  | \$(3,523,264)             | \$ (5,247,880) |
| Identifiable Assets        | 6,278,593    | 7,465,712     | (2,001,451)               | 15,745,765     |
| Corporate Assets           |              |               |                           | --             |
|                            |              |               |                           | 15,745,765     |

**18. SUBSEQUENT EVENTS**

Subsequent to the year ended 30 June, 1994, the Company granted 10,000 employee stock options to purchase common shares @ \$0.20/share.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE, 1994

### 19. AFFILIATED COMPANIES FINANCIAL POSITION AND RESULTS OF OPERATIONS

|                                                                 | <u>1994</u>    | <u>1993</u>  |
|-----------------------------------------------------------------|----------------|--------------|
| Rhonda Mining Corporation ("Rhonda")                            |                |              |
| Current Assets                                                  | \$ 1,040,668   | \$ 2,333,952 |
| Investments                                                     | 4,613,946      | 374,943      |
| Due from affiliated companies                                   | 1,958,978      | 1,475,184    |
| Capital Assets                                                  | 8,802          | 4,541        |
| Mineral properties and deferred costs                           | 6,427,851      | 3,575,787    |
|                                                                 | \$ 14,050,245  | \$ 7,764,407 |
| Current Liabilities                                             | 2,038,101      | 1,075,256    |
| Net Assets                                                      | 12,012,144     | 6,689,151    |
| Revenue                                                         | 578,189        | 497,186      |
| Expenses                                                        |                |              |
| Administrative                                                  | 1,110,351      | 624,211      |
| Write-down of mineral properties                                |                | 747,109      |
| Loss of an affiliated company accounted for on the equity basis | 131,000        | --           |
| Write-down of investments                                       | 4,800,000      | --           |
|                                                                 | 6,041,351      | 1,383,127    |
| Net loss for the year                                           | \$ (5,463,162) | \$ (885,941) |

Rhonda acquired a 16% interest in Savanna Resources Ltd. ("Savanna") during the year to extinguish intercorporate debt in the amount of \$4,000,000. The company was issued a non-transferrable warrant to acquire a further 10,000,000 shares of Savanna @ \$0.50/share.



# SCHEDULE OF MINERAL PROPERTIES FOR THE YEAR ENDED 30 JUNE, 1994

|                              | Opening            | Recovery/<br>Expenditures | Elimination on<br>Change of<br>Acct'g for<br>Investment | Closing           |
|------------------------------|--------------------|---------------------------|---------------------------------------------------------|-------------------|
| <b>CANADA</b>                |                    |                           |                                                         |                   |
| <b>NORTHWEST TERRITORIES</b> |                    |                           |                                                         |                   |
| Courageous Lake              |                    |                           |                                                         |                   |
| Acquisition                  | \$ 738,867         | \$ --                     | \$ 738,867                                              | \$ --             |
| Exploration                  | 344,681            | --                        | 344,681                                                 | --                |
| Woolgar                      |                    |                           |                                                         |                   |
| Exploration                  | 808,161            | --                        | 808,161                                                 | --                |
| Foxe Basin                   |                    |                           |                                                         |                   |
| Acquisition                  | --                 | 315,913                   | --                                                      | 315,913           |
| Exploration                  | 36,805             | 223,483                   | --                                                      | 260,288           |
| Takijuk Range                |                    |                           |                                                         |                   |
| Exploration                  | 29,330             | 2,549                     | --                                                      | 31,879            |
|                              | 1,957,844          | 541,945                   | 1,891,709                                               | 608,080           |
| <b>SASKATCHEWAN</b>          |                    |                           |                                                         |                   |
| Sturgeon Lake                |                    |                           |                                                         |                   |
| Acquisition                  | 128,893            | --                        | 128,893                                                 | --                |
| Exploration                  | 339,220            | --                        | 339,220                                                 | --                |
| Fort à la Corne              |                    |                           |                                                         |                   |
| Acquisition                  | 325,981            | --                        | 325,981                                                 | --                |
| Exploration                  | 638,649            | --                        | 638,649                                                 | --                |
| Carrot River                 |                    |                           |                                                         |                   |
| Acquisition                  | 98,496             | --                        | 98,496                                                  | --                |
| Exploration                  | 856                | --                        | 856                                                     | --                |
| Trek                         |                    |                           |                                                         |                   |
| Acquisition                  | 96,932             | --                        | --                                                      | 96,932            |
| Exploration                  | --                 | 11,400                    | --                                                      | 11,400            |
| Tobin                        |                    |                           |                                                         |                   |
| Acquisition                  | 10,620             | --                        | --                                                      | 10,620            |
| Exploration                  | --                 | 6,261                     | --                                                      | 6,261             |
|                              | 1,639,647          | 17,661                    | 1,532,095                                               | 125,213           |
| <b>MANITOBA</b>              |                    |                           |                                                         |                   |
| Badger                       |                    |                           |                                                         |                   |
| Acquisition                  | 85,000             | --                        | 85,000                                                  | --                |
| Exploration                  | 31,256             | --                        | 31,256                                                  | --                |
| Permit No. 116               |                    |                           |                                                         |                   |
| Acquisition                  | 80,000             | 25,000                    | --                                                      | 105,000           |
|                              | 196,256            | 25,000                    | 116,256                                                 | 105,000           |
| <b>MISCELLANEOUS</b>         | 36,646             | 10,000                    | 36,605                                                  | 10,041            |
| <b>TOTAL CANADIAN</b>        | <b>\$3,830,393</b> | <b>\$ 594,606</b>         | <b>\$3,576,665</b>                                      | <b>\$ 848,334</b> |



# SCHEDULE OF MINERAL PROPERTIES FOR THE YEAR ENDED 30 JUNE, 1994

|                            | Opening       | Recovery/<br>Expenditures | Elimination on<br>Change of<br>Acct'g for<br>Investment | Closing       |
|----------------------------|---------------|---------------------------|---------------------------------------------------------|---------------|
| <b>UNITED STATES</b>       |               |                           |                                                         |               |
| <b>OREGON</b>              |               |                           |                                                         |               |
| Turner-Albright            |               |                           |                                                         |               |
| Acquisition                | \$ 6,878,270  | \$ 4,544                  | \$ --                                                   | \$ 6,882,814  |
| Exploration                | 1,474,777     | 28,419                    | --                                                      | 1,503,196     |
|                            | 8,353,087     | 32,963                    | 0                                                       | 8,386,010     |
| <b>CALIFORNIA</b>          |               |                           |                                                         |               |
| Island Mountain            |               |                           |                                                         |               |
| Exploration                | 1,016,464     | --                        | --                                                      | 1,016,464     |
| Acquisition                | 21,678        | --                        | --                                                      | 21,678        |
| <b>TOTAL UNITED STATES</b> | \$ 9,391,189  | \$ 32,963                 | \$ --                                                   | \$ 9,424,152  |
| <b>TOTAL</b>               | \$ 13,221,582 | \$ 627,569                | \$ 3,576,665                                            | \$ 10,272,486 |

Total expenditures and dispositions to mineral properties and deferred costs for the year ended 30 June, 1993, were as follows:

|                    |              |
|--------------------|--------------|
| TOTAL EXPENDITURES | \$ 2,810,490 |
| TOTAL WRITE DOWNS  | \$ 1,312,986 |



## **CORPORATE DIRECTORY**

### **OFFICERS and DIRECTORS**

John M. Alston, Calgary, Alberta  
President and Director

Peter K Gummer, Calgary, Alberta  
Vice-President and Director

Glen R. Alston, Calgary, Alberta  
Secretary-Treasurer and Director

Bruce Murray, Calgary, Alberta  
Director

Thomas W. Whittingham, Invermere, BC  
Director

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Canada T2P 3G3

### **BANKERS**

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PRINTED IN CANADA